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Grading The Last Eight Years of Leadership in Raleigh: Is North Carolina Better Off?

What's on everybody's mind? It's the economy, of course. North Carolinians say that improving the economy is the issue requiring most attention from state government, according to the Civitas Institute's [July DecisionMaker Poll results](#). For voters to make an informed decision this fall, it becomes critical to first consider the impact our General Assembly and Governor have had on the state's economic health.

With that information in mind, voters can evaluate how effective the leadership in Raleigh has been. In short: is North Carolina better off now than it was eight years ago? An analysis of several key indicators reveals that North Carolina has experienced increased poverty rates, sluggish economic growth, an increasing tax burden, and a rapid rise in government spending.

Voters need to decide – do we want more of the same, or does North Carolina deserve better?

North Carolina Economic Indicators	2001	Now (or most recent data)
Total State Debt (inflation-adjusted dollars)	\$3.65 billion	\$6.9 billion
State Tax Burden as a Percentage of Income	5.48%	5.98%
General Fund Spending Per Capita (inflation-adjusted dollars)	\$2,195	\$2,308
Unemployment Rate	4.4	6.6
Per Capita Income	31 st highest in U.S.	36 th highest in U.S.
Poverty Rate (overall)	12.5% U.S. rate: 11.7%	15.5% U.S. rate: 12.5%
Families in Poverty	9.5% tied, 18 th highest in U.S.	12.6% 5 th highest in U.S.
Child Poverty Rate	16.4% tied, 17 th highest in U.S.	21% tied, 7 th highest in nation
Overall Uninsured Rate	14.4% U.S. average: 14.6%	17.9% U.S. average: 15.8%
Uninsured Children	11.2% U.S. average: 11.7%	12.1% U.S. average: 11%
Infrastructure: Urban Intrastate Congestion	10th most congested	3rd most congested

North Carolina's Economy

In several key economic indicators, North Carolina has fallen behind regional and national averages.

Job Growth Trails Southeast Average, Unemployment Consistently Above National Average

- Job growth from Jan. 2001 to July 2008 in North Carolina was third lowest among Southeastern states¹. The growth rate of 8.5 percent trailed well behind Florida (15 percent), Georgia (12.5 percent) and the Southeast regional average of 11 percent.²
- North Carolina's annual unemployment rate has exceeded the national average for each of the last seven years, and is on pace to do so again in 2008. By contrast, for the 25 years prior to 2001, North Carolina's annual unemployment rate was higher than the national average only once.³

Sluggish Income Growth Puts North Carolina Further Behind National Averages

- Per Capita income growth from 2001 to 2007 in North Carolina was 22.4 percent, less than the national average growth rate of 26.3 percent and second lowest among Southeastern states. As a result, North Carolina's per capita income dropped from 31st highest to 36th highest in the U.S.⁴
- Further, average annual per capita income growth from 2001 to 2007 in North Carolina was 3.4 percent, coming in second lowest in the Southeast, and well below the national average of 4.0 percent. North Carolina's rate was tied for 4th lowest in the nation.⁵

Poverty on the Rise - Overtaking Several Other States

- Overall poverty rates in North Carolina rose from 12.5 percent in 2001 to 15.5 percent in 2007 (latest data available). For sake of comparison, North Carolina's 2001 overall poverty rate was less than 1 percentage point above the national average, by 2007 that discrepancy had more than tripled to 3 percentage points.⁶
- The share of North Carolina families classified as living in poverty also climbed. In 2001, the rate of families in poverty was 9.5 percent, tied for the 18th highest rate in the nation. By 2007, North Carolina's rate of families living in poverty jumped to 5th highest in the nation at 12.6 percent.⁷
- The percentage of children living in poverty also increased sharply under the current leadership. In 2001, the child poverty rate in North Carolina was 16.4 percent, placing it tied for 17th highest in the U.S. By 2007, that rate had shot past 11 other states to place North Carolina's child poverty rate tied for 7th highest in the nation at 21 percent.⁸

More North Carolinians Without Health Insurance Coverage

- In 2001, North Carolina's uninsured rate was 14.4 percent, just below the national average. In spite of much rhetoric from the leadership in Raleigh, North Carolina's uninsured rate rose to 16.4 percent by 2007 – surpassing the national average by more than a full percentage point.⁹
- Children's insurance rates followed a similar pattern. In 2001, North Carolina's rate of uninsured children was 11.2 percent, below the national average. By 2007, it had climbed to 12.1 percent, surpassing the national average by 1 percentage point.¹⁰ Furthermore, the national rate for uninsured children actually declined slightly during this time as North Carolina's rate grew.

Dramatic Increase in Food Stamp Recipients in North Carolina

- North Carolina saw an alarming increase in the number of monthly average persons participating in the government food stamps program. North Carolina's sharp rise was highest in the southeast and much higher than the national average.¹¹
 - Increase from 2002 to 2007

NC	54%
SC	44%
VA	46%
FLA	25%
GA	47%
TN	45%
US average	39%

North Carolina's Tax Burden

Governor Easley and the General Assembly approved the passage of the "temporary" taxes – along with the permanent ½ cent local sales tax increase – resulting in a tax hike costing taxpayers more than \$5.3 billion as of mid-2008. Several measures indicate that the tax burden on hardworking North Carolinians have become the highest in the Southeast and among the highest in the nation.

Rising Tax Burden

- From FY 2001-02 to FY 2005-06 (the latest data available), state only imposed taxes as a share of North Carolina GDP increased from 5.48 percent to 5.98 percent - an increase of 9.1 percent. In other words, the share of our state's economy consumed by state taxes rose by nearly ten percent in just four years.¹²
- The amount of state taxes collected far outpaced the increase in state GDP during that time. Total state taxes collected rose by 32.4 percent from FY2001-02 to FY2005-06, compared to an increase of state GDP of only 21.4 percent.¹³

Tax Burden and Rates Among Highest in Nation

- To make an even comparison of state-only tax burdens, we must compare North Carolina with other states that have state-imposed sales, personal, and corporate taxes, but no state-levied property tax. Of those eight states, North Carolina's state tax collections as a percentage of personal income (for FY2005) was third highest, and is *higher than New York's, Massachusetts and Connecticut's tax burden*.¹⁴
- North Carolina's personal income tax collections as a share of personal income is highest among Southeastern states and ranks 6th among the 43 states that tax income, coming in just behind California.¹⁵
- North Carolina's top personal income tax rate is 7.75 percent – highest in the Southeast and 10th highest in the nation.
- The corporate tax rate of 6.9 percent is highest in the Southeast.

- Our sales tax rate of 6.75 percent is higher than 31 states, and significantly higher than neighboring Virginia (5 percent).
- State gas tax is second highest in the Southeast behind only Florida, and 15th highest in the nation.¹⁶

Tax Increase of More than \$5.3 Billion – no Broad-based Tax Relief

- None of the three major state taxes were lowered in the last eight years. Lawmakers in Raleigh did, however, enact the “temporary” sales and income tax increases – as well as the permanent ½ cent local sales tax increase – that have extracted an extra \$5.3 billion from taxpayers thus far.¹⁷

Government Spending

State spending has escalated rapidly since 2000, placing a growing burden on North Carolina taxpayers. The dramatic rise in annual spending, however, still wasn’t enough to satisfy Raleigh’s spending appetite, as state debt skyrocketed as well. Making matters worse, not one penny of added state debt was approved by taxpayers – the very people that will be forced to pay back said debt.

State Spending Up A Whopping 47 Percent

- General Fund spending rose a dramatic 47 percent over the last eight years (FY 2001-02 to FY 2008-09). This represents an increase of nearly \$7 billion, and a per capita spending increase of 30 percent (not adjusted for inflation). All told, North Carolina’s annual General Fund spending now equals more than \$9,200 for a family of four, a figure that has shot up by more than \$2,100 since FY 2001-02.¹⁸

State Debt Has Doubled

- Leadership in Raleigh more than doubled the state debt they inherited in FY 2001 in just six years (by FY 2007).¹⁹ Even after adjusting for inflation, state debt climbed by 89 percent.

Taxpayer Dollars Required to Finance Debt More Than Doubled

- By FY 2008-09, debt service had grown to \$643,133,287 – an amount more than two and a half times that in the FY2001-02 Budget, when debt service payments were \$251,978,040.²⁰

Citizens Completely Ignored

- Not one penny of state-issued debt was approved by voters during the last eight years. More than \$3.2 billion of bonds were authorized, all through “special indebtedness” measures which do not require voter approval. By contrast, only \$140 million in non-voter approved debt had been authorized for the 15 years combined prior to 2001.²¹ Not only do special indebtedness bonds allow lawmakers to avoid accountability to taxpayers, the interest on such bonds are higher than that of General Obligation bonds.

Infrastructure Being Ignored

North Carolina’s transportation needs have been poorly addressed over the last eight years. An inefficient “equity formula” has directed millions in transportation needs to lower traffic regions away from where the cars actually are.

The result: more time stuck in traffic, costing North Carolinians valuable time that could be put to more productive uses.

More Traffic Jams Surrounding Economic Hubs

- North Carolina's urban intrastate congestion ranked 10th highest in 2000. By 2006, that ranking jumped to 3rd highest in the nation. In other words, state government has been very unresponsive to actual road needs, allowing traffic woes to worsen.²²
- From 2001 to 2005, Governor Easley and the General Assembly consistently raided the Highway Trust Fund to finance expansionary spending in the General Fund. All told, more than \$1.6 billion has been transferred from the Highway Trust Fund into the General Fund in the last eight state budgets.²³

ENDNOTES

¹Southeastern states are defined as: North Carolina, South Carolina, Virginia, Tennessee, Georgia, and Florida

²Source: Bureau of Labor Statistics <http://www.bls.gov/lau/ststdsadata.txt>

³Source: Bureau of Labor Statistics <http://www.bls.gov>

⁴Source: Bureau of Economic Analysis <http://www.bea.gov/regional/spi/default.cfm?satable=SA04&series=ancillar...>

⁵Source: Bureau of Economic Analysis <http://www.bea.gov/regional/remdmap/REMDMap.aspx>

⁶Source: U.S. Census Bureau, Detailed Poverty Tabulations from the Current Population Survey (CPS) Annual Demographic Supplement (using weighted person count). Latest data available is for 2007.

<http://www.census.gov/hhes/www/poverty/detailedpovtabs.html>

⁷Ibid

⁸Ibid

⁹Sources: U.S. Census Bureau <http://www.census.gov/hhes/www/hlthins/cps.html>

¹⁰Ibid

¹¹Source: Kaiser Family Foundation's State Health Facts

<http://www.statehealthfacts.org/comparetable.jsp?ind=24&cat=1>

¹²Source: NC Department of Revenue <http://www.dor.state.nc.us/publications/abstract/2007/table1.pdf>

¹³Ibid

¹⁴Source: NC Department of Revenue <http://www.dor.state.nc.us/publications/abstract/2007/table4.pdf>

¹⁵Source: NC Department of Revenue <http://www.dor.state.nc.us/publications/abstract/2007/table22.pdf>

¹⁶Source: Tax Foundation

<http://www.taxfoundation.org/files/bp57.pdf>

<http://www.taxfoundation.org/research/show/245.html>

Corporate tax rate: remained the same

<http://www.taxfoundation.org/files/statecorporincomerates-20080321.xls>

Sales Tax increased from 6.0% to 6.75% (Mecklenburg Co. adds another ½ cent)

Source: Budget bills from FY 2001 through 2007

Individual income taxes same

<http://www.taxfoundation.org/files/stateindividualincomerates-20080131.x...>

¹⁷Sources: Tax revenue estimates up to originally scheduled sunset date from North Carolina General Assembly's Fiscal Research Division, Highlights: Fiscal & Budgetary Actions 2001 Legislative Session (not available online)

<http://www.jwpcivitasinstitute.org/media/publication-archive/perspective...> (sales and income tax revenue since

original sunset dates)

North Carolina Department of Revenue, Local Government Distributions, 2002-2008

<http://www.dor.state.nc.us/publications/reimbursement.html> (half cent local sales tax – Article 44)

¹⁸Sources: North Carolina General Assembly's Fiscal Research Division, Highlights: Fiscal & Budgetary Actions 2006 Legislative Session (past General Fund Appropriations, pg. Q-1)

http://www.ncleg.net/fiscalresearch/frd_reports/frd_reports_pdfs/overvie...

2007 Budget, S.L. 2007-323 (current year appropriations, pg 6)

<http://www.ncga.state.nc.us/Sessions/2007/Bills/House/PDF/H1473v10.pdf>

2008 Budget, HB 2436 (current year appropriation on pg 5)

<http://www.ncleg.net/Sessions/2007/Bills/House/PDF/H2436v9.pdf> Office of State Budget and Management, State Demographer (population estimates)

http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic_data/...

http://www.osbm.state.nc.us/ncosbm/facts_and_figures/socioeconomic-data... ("NC Population Clock" tally on July 30, 2008)

¹⁹Source: Comprehensive Annual Financial Report for FY 2007; Office of State Controller

http://www.ncosc.net/financial/07_cafr/Statistical_Section/Table10.pdf

Inflation adjustment using comparison dates of July 2000 and July 2006. Source: inflationdata.com

²⁰Debt Service for FY2001-02: \$251,978,040

Source: Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, 2001

<http://www.ncga.state.nc.us/Sessions/2001/Budget/BudgetReport919.pdf>

Debt Service for FY 2008-09: \$643,133,287

Source: Joint Conference Committee Report on the Continuation, Expansion and Capital Budgets, 2008

<http://www.ncleg.net/sessions/2007/budget/2008/conferencecommitteebudget...> (pg. 3)

²¹Sources: Carolina General Assembly's Fiscal Research Division, Highlights: Fiscal & Budgetary Actions 2006 and 2007 Legislative Sessions

http://www.ncleg.net/fiscalresearch/frd_reports/frd_reports_pdfs/overvie...

http://www.ncleg.net/fiscalresearch/frd_reports/frd_reports_pdfs/overvie...

2008 Budget, HB 2436 <http://www.ncleg.net/Sessions/2007/Bills/House/PDF/H2436v9.pdf>

²²Hartgen, David. Karanam, Ravi. "Annual Report on the Performance of State Highway Systems," select years.

Reason Foundation, Los Angeles

²³North Carolina budget bills, FY 2001-02 through FY 2008-09.