

Bill's Seat – A Report from the North Carolina Legislature - June 7, 2009

By Representative Bill Faison

The Budget: This week we will be focusing on the Budget. The State's revenue collections are down over \$4 billion. Even with \$1 billion in Stimulus money, the shortfall is still over \$3 billion. The Governor did a Budget, as did the Senate. It is now the House's turn. Revenues were down when the Governor's Budget was done, and down even more when the Senate's Budget was done. Revenues are down even more now.

Revenues In – Expenditures Out: About 92% of the State's revenue comes from personal income tax (about 55.5%), sales tax (about 26.5%), and real estate transfers (about 10%). About 90% of the State's revenue is spent on Education (about 55%), Medicaid (about 25%) and Prisons (about 10%). The rest of State government (Departments of Labor, Administration, Commerce, Agriculture, State, Revenue, Courts, Cultural Resources, Motor Vehicles, Highway Patrol, Governor, Lt. Governor, and Attorney General are run on what is left (Corporate Income Tax about 5.5%, and reinvested funds about 2.5%).

Balancing the Budget: The State's revenue collections (after the Stimulus money) are down over 15%. Even if we cut out all of State government except Education, Medicaid, and Prisons, we still would not have enough money left to fully fund these three without further Budget cuts. We need the rest of State government. Thus, after making cuts to the rest of State government, we still have to make cuts to Education, Medicaid and Prisons to balance the Budget, unless we raise additional revenue.

Do We Raise More Money for Education and Medicaid or Do We Just Cut? I do not want to raise anyone's income taxes. Our corporate tax is the highest in our area of the south, and already creates challenges for our corporate job recruiters. Moreover, tobacco products have been loaded up with high taxes at both the State and Federal levels. I do not think it is productive to increase these taxes anymore, and I do not want to put any more tax on these products. There are other ways to raise money. We could increase some sales taxes, like on wine and liquor. We could put sales taxes on some services which are not taxed. We could increase court fees and

some other fees. Or, we could continue to cut costs by increasing class sizes to reduce the number of teachers, reduce Medicaid payments to healthcare providers and reduce benefits, and close some prisons (maybe as many as nine but not the prisons in Caswell and Orange) and bunk more inmates in fewer places.

Tell Me What You Think Should Be Done: Budget and Revenue decisions affect all of us. We all want the very best schools we can have. Folks in our community need Medicaid. For the protection of us all, some people need to be in jail. I would really like to know what you think should be done. Please contact me at Bill.Faison@ncleg.net to share your thoughts.